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**From:**

**Sent:**02/09/2009

**To:**

**Cc:**

**Subject:** RIC Arguments

Although I have not studied these issues in any depth, my initial, quick, impressions are as follows: I believe that Rev. Rul. 71-197 deals with a "capital gain dividend" from a RIC, not dividend attributable to the RIC's STKGs. RIC dividends, even if sourced from STKGs, are not "capital gain dividends" that were the subject of 71-197.

That RIC dividends sourced from STKGs are not "capital gain dividends", however, is not sufficient to support a conclusion that the RIC dividends for the DRD. Under section 854(b)(4), the amount of a RIC dividend that is treated as a dividend for purposes of the computing the DRD is limited to the amount a deduction would have been allowed to the RIC under section 243, determined as if section 243 applied to dividends received by a RIC and after application of sections 246 (other than subsection (b)) and 246A. As no deduction would be allowed for STKGs, the RIC dividends sourced from the STKGs do not qualify for the DRD.

Hope this provides some help. I want to think some more about the issues and will get back to you if I have any additional thoughts. If you have any questions or comments, please feel free to call or email me.